

FUNNY FOOD FOR THE BANKING INDUSTRY

by [Steve Brown](#)

People like to eat. Some people eat things others find unusual or disgusting, some foods are funny in the way they are shaped and still others smell strange when you cook them. No matter the significance of food to you, we think you will find it interesting that Coca Cola was originally green; the world's oldest known recipe is for beer and white wine gets darker as it ages, while red wine gets lighter. Well, at least we did. Speaking of things some may consider strange and strange food for banking, today we talk about risk, since so many community banks are working to create a risk management function within their organizations.

No matter where you are in the risk management rollout process challenges undoubtedly remain. A recent survey by Accenture asked risk managers across multiple organizations to rank the biggest issues they saw in this area over the next few years and the results are interesting. The top ranked challenges cited by risk managers were reducing costs (47%), followed closely by aligning risk with the overall business strategy (43%); implementing regulatory demands (41%); improving risk management and modeling (41%) and capturing data so it is available within the organization on a consistent basis (40%). While the percentages may be different for your bank, we aren't here to quibble over them, as we are sure every single one of these top 5 have been a discussion point with the management team of the bank at some point over the past year.

For many community banks, risk management is still a relatively new concept and figuring out how it folds into existing ALCO, loan and other committee structures is probably near the top of any list as well. No matter where you are in the process, keeping the momentum is critical to success, so even if some risk management meetings only seem to get one thing done, consider that a victory and celebrate it. Before long, you will look back down that long and winding road you have been walking in this area and will see many milestones that have been achieved through incremental progress along the way.

The analysis was also interesting as you dipped further into the responses. Here, we find risk managers find challenges to be building a risk culture (35%); integrating risk and finance information and processes (34%); retaining and sourcing resources and talent (31%); developing risk metrics (30%); availability of comprehensive technological solutions (30%); making risk management a priority for executive leadership (30%); improving reporting (27%); collaborating with business units (26%); identifying the risk management value proposition (24%) and expanding the Chief Risk Officer's role and view of risk (21%). As you ponder this next group of responses, we have to say all of them have been part of our efforts to launch a proper risk management framework, so we were glad to see them and now feel like we are doing better in some areas and can still use some work in others.

The point of all of this is to give you a simple snapshot in time as to where others stand around risk management. Many community bankers we talk to (like many others), are going through a similar process and struggling to make risk management a key piece of the process. As with all things, change takes time so understanding that, being patient during the process and continuing forward are critical to success.

In the meantime, as you work through the last day of the week, know that many bankers are in the same camp as they struggle to implement effective risk management around the industry. As you set off for the weekend to share time with friends and family, we leave you with a few final interesting facts on food you might find to opportunistically sprinkle into the conversation from time to time. For instance, roughly 50% of pizzas sold in the U.S. are pepperoni; the top selling snack is potato chips and strawberries actually have more vitamin C than oranges. Enjoy the weekend.

BANK NEWS

Fed Conclave

Fed conference kicks off today where Fed officials will debate the effectiveness of easy money policies. We predict most discussion will be supportive of the QE methodology as an effective tool for "priming the pump."

500 Limit

Yesterday, a major milestone was passed as the Senate approved the small-business jobs package (HR 3606) that includes provisions that would raise the current SEC 500 shareholder threshold for registration to 2k. Now the Bill needs to go back to the House for reconciliation which it should get.

Mortgages

BofA is testing a new foreclosure option whereby homeowners in danger of foreclosure would sign over their deeds to the Bank and then lease the property back at a market rate. In separate, but related news, the Bank issued a statement that they are calling 2012 the bottom of the housing market and will expect to see the market's first widespread gain by 2013.

Smith Barney

Morgan Stanley will purchase another 14% of Citi's retail brokerage unit, Smith Barney subject to regulatory approval. Citi now owns 49% of the unit and will continue to transfer ownership over.

Housing

For the month of March, by looking at listings and early transaction data, it appears that spring selling season is off to the best start in 5Ys in terms of transaction volume.

Random

Screwing up the song, Dart Container will buy the Solo Cup Company for \$1B.

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